

BEFORE  
THE PUBLIC SERVICE COMMISSION OF  
SOUTH CAROLINA  
DOCKET NO. 2008-190-S - ORDER NO. 2008-759  
NOVEMBER 6, 2008

IN RE: Application of Alpine Utilities, Inc. for	) ORDER APPROVING
Adjustment of Rates and Charges for the	) ADJUSTMENT OF RATES
Provision of Sewer Service and	) AND CHARGES AND
Establishment of Additional Rates and	) ADOPTING
Charges	) SETTLEMENT
	) AGREEMENT

**INTRODUCTION:**

Pursuant to S.C. Code Ann. § 58-5-240 (Supp. 2007) and S.C. Code Ann. Regs 103-512.4 (September 28, 2007), this matter comes before the Public Service Commission of South Carolina ("Commission") on an application for an increase in monthly sewer service charges from Alpine Utilities, Inc. ("Alpine" or "Company"). Alpine is a public utility, as defined by S.C. Code Ann. § 58-5-10(4) (Supp. 2007), providing sewer service to the public for compensation in Richland and Lexington Counties, South Carolina as approved by the Commission in Docket No. 1988-56-S. Notice of Alpine's application was published in *The State* newspaper on May 21, 2008.

James C. Cook and Carolyn Cook, General Partners of Happy Rabbit, L.P., Owners and Operators of Windridge Townhomes ("Happy Rabbit" or "Intervenor") filed a petition to intervene in this matter which was granted by Commission Order No. 2008-572 (August 19, 2008). No other petitions to intervene were filed in this case in response

to the Notice of Filing. Pursuant to S.C. Code Ann. § 58-4-10(B)(Supp. 2007), the South Carolina Office of Regulatory Staff ("ORS") is a party of record in this proceeding.

On September 18, 2008, Alpine, ORS, and Happy Rabbit (together the "Parties") filed a Settlement Agreement pursuant to this Commission's Settlement Policies and Procedures, as revised June 13, 2006. A hearing in this matter was conducted on September 25, 2008. We hold that the Settlement Agreement in this case is a complete, fair, and reasonable resolution of this proceeding.

#### **JURISDICTION:**

S.C. Code Ann. § 58-3-140 (A) (Supp. 2007) vests the Commission with the "power and jurisdiction to supervise and regulate the rates and service of every public utility in this State..." In carrying out these duties in relation to Alpine's application for a rate increase and subsequent Settlement Agreement, the Commission's published "Settlement Policies and Procedures" (Revised 6/13/2006) are applicable to guide this proceeding. Specifically, Section II of the Settlement Policies and Procedures, titled "Consideration of Settlements," states:

When a settlement is presented to the Commission, the Commission will prescribe procedures appropriate to the nature of the settlement for the Commission's consideration of the settlement... [W]hen the settlement presents issues of significant implication for other utilities, customers, or the public interest, the Commission will convene an evidentiary hearing to consider the reasonableness of the settlement and whether acceptance of the settlement is just, fair, and reasonable, in the public interest, or otherwise in accordance with law or regulatory policy. Approval of such settlements shall be based upon substantial evidence in the record.

We find this case presents issues of significant implication for the utility and the public interest, and since a hearing has been held to consider the merits of this case regarding the parties' stipulations, we proceed to evaluate the record in this proceeding.

**TESTIMONY and EVIDENCE:**

At the hearing in this matter, Alpine was represented by John M.S. Hoefer, Esq. and Benjamin P. Mustian, Esq. The ORS was represented by Nanette S. Edwards, Esq. Happy Rabbit was represented by Richard L. Whitt, Esq. As a preliminary matter, the Commission heard argument on a Motion in Limine filed by Happy Rabbit on September 24, 2008. The Commission granted the Motion and, thereafter, counsel for Happy Rabbit expressed support for the Settlement Agreement and was excused from the remainder of the hearing.

The Company presented the direct and settlement testimony of Robin Dial, President and General Manager of Alpine, and Donald H. Burkett, a Certified Public Accountant with the firm of Burkett, Burkett, and Burkett, P.A. ORS presented the settlement testimony of Christina Seale, Auditor, and Willie Morgan, Program Manager for the Water and Wastewater Department. Happy Rabbit did not submit testimony at the hearing.

Mr. Dial stated that he began his employment with Alpine in 1987 and, in August 2007, he assumed responsibilities as General Manager for the Company. He testified that the last increase approved for Alpine was almost twenty years ago, and since that time, the Company has experienced increased operational expenses for purchased power, sludge disposal, and employee salaries, among other expenses.

Mr. Burkett testified that he has advised the Company on various financial and tax matters for the past twenty-five years. He testified that the test year used in the application ended December 31, 2007, which was the most recent twelve month period that full data was available at the time the application was filed. Since the last rate case, Mr. Burkett stated that the Company has experienced an increase in per book operating expenses of almost \$700,000 and that during the test year, the Company experienced a per book operating loss of (4.02%) which demonstrates the Company's need for rate relief. Mr. Burkett further testified that as part of a comprehensive settlement of all issues in this matter, Alpine has agreed to certain accounting adjustments that would allow the Company the opportunity to earn an additional \$329,224 in annual revenue.

According to Mr. Burkett, the agreed upon monthly rate of \$16.75 for residential customers and the corresponding commercial rates result in an operating margin of 22.42% before the inclusion of updated rate case expenses, which is less than the Company's currently approved operating margin of 25.96%.<sup>1</sup> Mr. Burkett stated that, in the context of a comprehensive settlement, the resulting operating margin is fair and reasonable. Mr. Burkett further testified that the Settlement Agreement is beneficial to the Company and its customers in that it brings the matter to an end without delay and the uncertainty of further proceedings and allows the Company to focus on the continued improvement and expansion of its facilities and services.

In support of the settlement, Ms. Christina L. Seale and Mr. Willie J. Morgan testified on behalf of ORS. Ms. Seale explained that upon examining the books and

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<sup>1</sup> The Parties submitted a late-filed exhibit reflecting the inclusion of updated rate case expenses, verified by ORS, through the date of the hearing. The operating margin produced under the terms and conditions of the Settlement Agreement is 22.23%, but does not change the agreed upon monthly service rate.

records of the Company, ORS proposed accounting and pro forma adjustments necessary to normalize the results of Alpine's test year operations. ORS proposed forty separate adjustments, removing non-allowable, non-recurring, non-regulatory, and outside the test year expenses as well as removing a portion of the shared expenses relating to Alpine's affiliates. The net effect of the proposed adjustments was a reduction in the Company's per book operating expenses of \$213,102 which was accepted as part of the Settlement Agreement.<sup>2</sup>

At the hearing, ORS witness Morgan testified that Alpine is a NARUC Class A wastewater utility providing sewer service in Lexington and Richland counties. According to Alpine's application, wastewater and treatment services were provided to 882 residential customers, 134 apartment customers, and 243 commercial customer accounts. Mr. Morgan testified that as part of ORS's Business Office Compliance Review, ORS found that Alpine was in compliance with Commission rules and regulations and that, during the test year, the Department of Health and Environmental Control ("DHEC") did not issue any notice of violation or take enforcement action against Alpine.<sup>3</sup> ORS made adjustments to the Company's per books operating revenue in the amount of \$43,238. As part of calculating test year revenues, ORS applied the current Commission approved rates to all customers, including the Landmark Apartments

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<sup>2</sup> Settlement Audit Exhibit CLS-I attached to Ms. Seale's testimony reflected a reduction to operating expenses of \$215, 976. As shown by Revised Exhibit CLS-I, the late filed exhibit incorporating rate case expenses through the date of the hearing, this amount changes to \$213,102.

<sup>3</sup> Although outside of the test year, a sewage spill from Alpine into the Saluda River occurred during the summer of 2008 that has resulted in a continuing investigation by the U.S. Environmental Protection Agency. According to the testimony of Robin Dial, action has been taken to investigate the cause of the spill, which he states is the only event of this kind in 36 years of operation. The investigation is ongoing and at this point in time, Alpine has no notice of any violation from DHEC or EPA.

and the Groves Homeowners Association.<sup>4</sup> With these adjustments, ORS calculated Alpine's test year service revenue for residential and commercial sewer operations, as adjusted, to be \$1,325,961. ORS states it has determined that Alpine provides adequate wastewater collection and treatment services.

The Parties asserted before the Commission that the Settlement Agreement provides a schedule of proposed rates, terms, and conditions that are just and reasonable to both the Company and its customers. In its application, Alpine had sought an increase in total operating revenue of \$1,378,472, a monthly rate of \$28.00 for residential and apartment customers, and a commensurate increase in the rates charged to its various classes of commercial customers. After accounting and pro forma adjustments preformed by ORS, including updated rate case expenses, Alpine currently receives a total income for return of \$167,164 and an operating margin of 12.61%.

As a compromise to their respective positions, the Parties have stipulated to an increase in total operating revenues of \$329,22 for total sewer service revenues of \$1,655,185, resulting in a monthly rate of \$16.75 for residential and apartment customers and a commensurate increase in the rates charged to various classes of commercial customers. The net effect of the proposed settlement results in a total income for return of \$367,919 and an operating margin of 22.23%.

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<sup>4</sup> Under the Settlement Agreement, and consistent with the testimony of Mr. Robin Dial, the test year revenues and the settlement revenues after the agreed-upon increase are based on the application of the Commission approved rates and the settled rates, respectively, to all customers. Therefore, the under-collected revenue resulting from the rates charged to Landmark Apartments and the Groves Homeowners' Association has been imputed to the Company. Because of this imputation, the remaining customer base is not adversely impacted by the utility charging these reduced rates.

**FINDINGS OF FACT:**

Based upon the application, the direct and settlement testimony, and exhibits received into evidence at the hearing and the entire record of these proceedings, the Commission makes the following findings of fact:

1. By statute, the Commission is vested with jurisdiction to supervise and regulate the rates and service of every public utility in this State, together with the duty, after hearing, to ascertain and fix such just and reasonable standards, classifications, regulations, practices, and measurements of service to be furnished, imposed, observed, and followed by every public utility in this State. S.C. Code Ann. § 58-5-210 (1976).

2. After careful review and consideration by this Commission of the Settlement Agreement, the evidence contained in the record of this case, including the testimony of the witnesses, the Commission concludes as a matter of law that the Settlement Agreement results in just and reasonable rates and fees for sewer service agreed to by the Parties. Based on the operating revenues, income, and expenses agreed upon by the Parties, the resulting allowable operating margin for the Company is 22.23%. S.C. Code Ann. § 58-5-240(H) (Supp. 2007).

3. The Commission finds that the rates agreed to by the Parties in the Settlement Agreement, which is hereby adopted and attached to this Order as Order Exhibit 1, are just and reasonable and allow Alpine to continue to provide its customers with adequate sewer service. We find that the Settlement Agreement provides a schedule of proposed rates, terms, and conditions that are just and reasonable. Further, the agreed upon rates allow the Company to earn a reasonable return on its investment. We find that

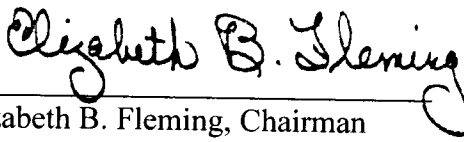
the proposed rates contained in the Settlement Agreement, which have been entered into the record of this case without objection and are attached to this Order as Order Exhibit 2, are just and reasonable and hereby approved.

IT IS THEREFORE ORDERED:

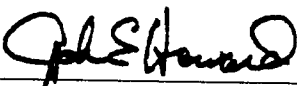
1. The Settlement Agreement is attached hereto as Order Exhibit 1 and is incorporated into and made a part of this Order by reference.
2. The Settlement Agreement between the Parties is approved and adopted by this Commission as producing rates that are just and reasonable and in the public interest as well as authorizing a reasonable operating margin for the Company.
3. The rates imposed shall be those rates agreed upon in the Settlement Agreement between the Parties as shown in Order Exhibit 2, Exhibit B to Settlement Agreement, and shall be effective for service rendered by the Company on and after November 15, 2008.
4. The Company is entitled to the opportunity to earn a 22.23% operating margin.
5. The Company's books and records shall continue to be maintained according to the NARUC Uniform System of Accounts.
6. The Company shall continue to maintain a performance bond in the amount of \$350,000 pursuant to S.C. Code Ann. § 58-5-720 (Supp. 2007).

7. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:

  
Elizabeth B. Fleming, Chairman

ATTEST:

  
John E. Howard, Vice Chairman  
(SEAL)

**BEFORE**  
**THE PUBLIC SERVICE COMMISSION OF**  
**SOUTH CAROLINA**  
**DOCKET NO. 2008-190-S**

IN RE:

Application of Alpine Utilities, Inc.  
for adjustment of rates and charges  
for the provision of sewer service and  
establishment of additional rates and  
charges.

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**SETTLEMENT AGREEMENT**

This Settlement Agreement is made by and between the South Carolina Office of Regulatory Staff ("ORS"), James C. Cook and Carolyn Cook, General Partners of Happy Rabbit, L.P., Owners and Operators of Windridge Townhomes ("Intervenors"), and Alpine Utilities, Incorporated. ("Alpine" or "the Company") (together referred to as the "Parties" or sometimes individually as "Party").

WHEREAS, the Company has prepared and filed an Application seeking an adjustment of its rates and charges and establishment of additional rates and charges for the provision of its sewer service; and

WHEREAS, the above-captioned proceeding has been established by the South Carolina Public Service Commission ("Commission") pursuant to the procedure established in S.C. Code Ann. § 58-5-240 (Supp. 2007); and

WHEREAS, ORS has examined the books and records of the Company relative to the matters raised in the Application and, in connection therewith, has requested of and received from the Company additional documentation; and

WHEREAS, the Parties have varying legal positions regarding the issues in this case; and

WHEREAS, the Parties have engaged in discussions to determine if a settlement of the issues would be in the best interests of the Company and the Intervenors and in the case of ORS, in the public interest; and

WHEREAS, on or about August 29, 2008, following those discussions the Company and Intervenors determined that their interests, and ORS determined that the public interest, would be best served by stipulating to a comprehensive settlement of all issues pending in the above-captioned case under the terms and conditions set forth herein,

NOW, THEREFORE, the Parties hereby stipulate and agree to the following terms, which, if adopted by the Commission in its Order on the merits of this proceeding, will result in rates and terms and conditions of sewer service which are adequate, just, reasonable, nondiscriminatory, and supported by the evidence of record of this proceeding.

1. The Parties stipulate and agree that the accounting exhibits prepared by ORS and attached as Exhibit "A" to this Settlement Agreement fairly and reasonably set forth the Company's operating expenses, pro forma adjustments, depreciation rates and revenue requirement. Additionally, the Parties agree to include rate case expenses incurred by Alpine and subject to verification by ORS auditors through the date of the hearing; however, the inclusion of the additional rate case expenses will not alter the agreed upon monthly rates for residential, apartment, and commercial customers nor the total operating revenue as set forth in Paragraph 4 below. The Parties stipulate and agree that, other than the updated rate case expenses, they will not seek, request or otherwise propose or present any evidence supporting additional expenses, revenues, or accounting adjustments other than those identified in Exhibit "A" attached hereto.

2. The Parties stipulate and agree that the rate schedule attached hereto as Exhibit "B", including the rates and charges and terms and conditions of service, are fair, just, and reasonable. The Parties further stipulate and agree that the rates contained in said rate schedule are reasonably designed to allow the Company to provide service to its sewer customers at rates and terms and conditions of service that are fair, just and reasonable and provides the opportunity to recover a fair and reasonable level of revenue.

3. ORS is charged by law with the duty to represent the public interest of South Carolina pursuant to S.C. Code § 58-4-10(B) (added by Act 175). S.C. Code § 58-4-10(B)(1) through (3) reads in part as follows:

- ... 'public interest' means a balancing of the following:
- (1) concerns of the using and consuming public with respect to public utility services, regardless of the class of customer;
  - (2) economic development and job attraction and retention in South Carolina; and
  - (3) preservation of the financial integrity of the State's public utilities and continued investment in and maintenance of utility facilities so as to provide reliable and high quality utility services.

ORS believes the agreement reached between the Parties serves the public interest as defined above. The terms of this Settlement Agreement balance the concerns of the using public while preserving the financial integrity of the Company. ORS also believes the Settlement Agreement promotes economic development within the State of South Carolina. The Parties stipulate and agree to these findings.

4. In its Application, the Company has requested an increase in total operating revenues of \$1,378,472, a monthly rate of \$28.00 for residential and apartment customers, and a commensurate increase in the rates charged to various classes of commercial customers. As a

compromise to their respective positions, the Parties stipulate and agree to an increase in total operating revenues of \$329,244, a monthly rate of \$16.75 for residential and apartment customers, and a commensurate increase in the rates charged to various classes of commercial customers. This increase is supported by the adjustments reflected in Exhibit "A."

5. The Company, the Intervenors, and ORS recognize the value of resolving this proceeding by settlement rather than by litigation and, therefore stipulate and agree for purposes of settlement in this case that the rates described in Exhibit B and giving rise to the revenues as described in Exhibit A are just and reasonable under the specific circumstances of this case in the context of a comprehensive settlement.

6. The Parties further stipulate and agree that this Settlement Agreement conclusively demonstrates the following: (i) the proposed accounting and pro forma adjustments and depreciation rates reflected in Settlement Exhibit A are fair and reasonable and should be adopted by the Commission for ratemaking and reporting purposes; (ii) an annual increase in total operating revenues of \$329,244 is fair, just, and reasonable when considered as a part of this stipulation and settlement agreement in its entirety; (iii) Alpine's services are adequate and being provided in accordance with the requirements set out in the Commission's rules and regulations pertaining to the provision of sewer service, and (iv) Alpine's rates as proposed in this Settlement Agreement are fairly designed to equitably and reasonably recover the revenue requirement, are just and reasonable and should be adopted by the Commission for service rendered by the Company on and after November 15, 2008.

7. The Parties stipulate and agree to include in the record the pre-filed direct testimony of Mr. Robin Dial and Mr. Donald H. Burkett and the settlement testimony and

exhibits of Ms. Christina L. Seale, Mr. Willie Morgan, Mr. Robin Dial, and Mr. Donald H. Burkett attached hereto as Exhibit "C" without cross-examination. Each party reserves its right to present its case in support of the Settlement Agreement including but not limited to the presentation of the witnesses whose pre-filed testimony is included in Exhibit "C" to this Settlement Agreement. In addition to the aforementioned pre-filed direct testimony and settlement testimony, the Parties stipulate and agree to include in the record the August 20, 2008, affidavit of Mr. Robin Foy, an employee of the Department of Health and Environmental Control, included as Exhibit WJM-2 of Mr. Willie Morgan's testimony.

8. The Company agrees to notify its customers of the implementation of these new rates.

9. The Company agrees to continue to maintain its books and records in accordance with the National Association of Regulatory Utility Commissioners ("NARUC") Uniform Systems of Accounts.

10. The Parties further agree and stipulate that the rate schedule attached hereto as Exhibit "B", including the rates and charges and the terms and conditions set forth therein, is just and reasonable, reasonably designed, and should be approved and adopted by the Commission.

11. The Parties agree to advocate that the Commission accept and approve this Settlement Agreement in its entirety as a fair, reasonable and full resolution of the above-captioned proceeding and to take no action inconsistent with its adoption by the Commission. The Parties further agree to cooperate in good faith with one another in recommending to the Commission that this Settlement Agreement be accepted and approved by the Commission. The

Parties agree to use reasonable efforts to defend and support any Commission order issued approving this Settlement Agreement and the terms and conditions contained herein.

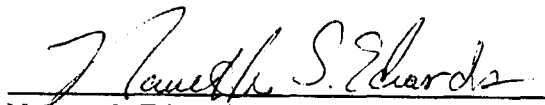
12. The Parties agree not to introduce or use this Settlement Agreement to constrain, inhibit, impair, or prejudice the other party in other proceedings. If the Commission should decline to approve the agreement in its entirety, then any Party desiring to do so may withdraw from the Settlement Agreement without penalty or obligation.

13. This Settlement Agreement shall be interpreted according to South Carolina law.

14. The above terms and conditions fully represent the agreement of the Parties hereto. Therefore, each Party acknowledges its consent and agreement to this Settlement Agreement by affixing its signature or by authorizing its counsel to affix his or her signature to this document where indicated below. Counsel's signature represents his or her representation that his or her client has authorized the execution of the agreement. Facsimile signatures and e-mail signatures shall be as effective as original signatures to bind any party. This document may be signed in counterparts, with the various signature pages combined with the body of the document constituting an original and provable copy of this Settlement Agreement. The Parties agree that in the event any Party should fail to indicate its consent to this Settlement Agreement and the terms contained herein, then this Settlement Agreement shall be null and void and will not be binding on any Party.

WE AGREE:

**Representing the South Carolina Office of Regulatory Staff**

A handwritten signature in cursive script, reading "Nanette S. Edwards", written over a horizontal line.

Nanette S. Edwards, Esquire

**South Carolina Office of Regulatory Staff**

Post Office Box 11263

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Phone: (803) 737-0575

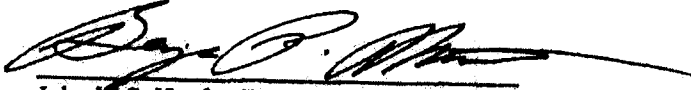
(803) 737-0889

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E-mail: [nsedwar@regstaff.sc.gov](mailto:nsedwar@regstaff.sc.gov)

WE AGREE:

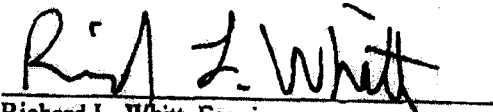
Representing Alpine Utilities, Inc.



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WE AGREE:

Representing James C. Cook and Carolyn Cook,  
General Partners of Happy Rabbit, L.P.,  
Owners and Operators of Windridge Townhomes



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**ORIGINAL**

Alpine Utilities, Inc.  
2008-190-S  
Settlement Rates and Charges

Order Exhibit 2  
Docket No. 2008-190-S  
Order No. 2008-759  
November 6, 2008

**SEWER SERVICE RATE AND CHARGES**

**MONTHLY SERVICE CHARGES**

	<b><u>Settlement Rates</u></b>
Residential - Charge per single-family house:	
Williamsburg West	\$16.75 per unit
Stratton Place	\$16.75 per unit
	\$16.75 per unit
Apartment	
Lakewood Village	\$16.75 per unit
	\$16.75 per unit
Factories	
Each Employee (No Showers)	\$1.56
Each Employee (With Showers)	\$2.06
Each Employee (With Kitchen Facilities)	\$2.59
Food Service Operations	
Ordinary Restaurant (Not 24 Hours, Per Seat)	\$5.17
24 Hour Restaurant (Per Seat)	\$7.77
Curb Service (Drive-In, Per Car Space)	\$5.17
Vending Machine Restaurant	\$3.11
Institutions	
Per Resident	\$4.40
Laundries	
Self Service (Per Machine)	\$10.81
Mobile Homes	
3 Persons Each	\$13.23
Motels	
Per Unit (No Restaurant)	\$4.40
Nursing Homes	
Per Bed (No Laundry)	\$4.40
Per Bed (With Laundry)	\$5.17
Offices	
Per Person (No Restaurant)	\$1.29
Picnic Parks	
Average Attendance	\$1.56
Beauty Shop	
Per 1,000 Square Feet Space	\$10.36
Rest Homes	
Per Bed (No Laundry)	\$4.40
Per Bed (With Laundry)	\$5.17
Service Stations	
Without Bay	\$36.40
First Bay	\$51.81
Each Additional Bay (Per Bay)	\$25.91
Shopping Centers	
Per 1,000 Square Feet Space (No Restaurants)	\$10.36
Swimming Pools	
Per Person (With Sanitary Facilities and Showers)	\$1.03
Theatres	
Drive-In - Stall	\$0.47
Indoor - Seat	\$0.47

Schools	
Per Person (No Showers, Gym, Cafeteria)	\$1.03
Per Person (With Cafeteria, No Gym, Showers)	\$1.29
Per Person (With Cafeteria, Gym, Showers)	\$1.56
Churches	
Per Seat	\$0.32
Bowling Alley	
Per Lane, excluding Restaurant	\$5.24
Bars or Taverns	
Per Seat, excluding Restaurant	\$0.19

The formula shown below will be used to determine a commercial rate that is not specifically noted in the Schedule of Rates and Charges.

$$\text{Commercial Rate} = \text{Apartment Rate} \times \frac{\text{BOD}^1 \text{ of Commercial Establishment}}{(2.8) (0.23)}$$

Where

2.8 = Average Number of People Per Apartment Unit  
And

0.23 = BOD for Apartment with Garbage Disposals

<sup>1</sup> Bio-chemical oxygen demand

#### **NONRECURRING CHARGES:**

No changes are being proposed at this time for the nonrecurring charges.

Tap Fee: \$250.00 per residential unit or per apartment unit